U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

REACHING FOR DEMOCRACY

DISCUSSION CONFERENCE

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C O N T E N T S

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P R O C E E D I N G S

MS. WINDSOR: Good morning, and welcome. I'm Jennifer Windsor, the Executive Director of Freedom House. We are very pleased to be co-sponsoring this event today with USAID.

We gather today at the start of a new year to take stock of the current state of U.S. democracy promotion to look at where our efforts to increase freedom around the world have succeeded, to examine the immense challenges still remaining, and to talk about how we can meet those challenges. As my colleague Tom Melia will discuss later, 2005 was on balance a very good year for freedom and democracy. In the last several years the colored revolutions in various countries hit the front pages, and less visible but no less important steps forward in a number of other countries around the world.

Here in the United States, President Bush has made his Freedom Agenda a central theme of his speeches and of his foreign policy including explicit references in both the State of the Union and Inaugural addresses. The U.S. Department of State as embraced transformational diplomacy with Secretary of State Rice making more than a few

authoritarian allies nervous by raising concerns about democratic deficits in a much more direct fashion than ever before, especially in countries in the Middle East.

Of course, many challenges remain. There are still too many countries on our worst of the worst list of the most repressive regimes in the world, and the remaining authoritarian leaders have made it clear that they will do anything possible to prevent colored revolutions in their countries including taking steps to block international support of those in their own civil society in the political system who are working for reform.

The future challenge is how to ensure the full implementation of the administration's ambitious policy agenda. Will NGOs like Freedom House pay a part? It is those in the U.S. government who are directly tasked with turning rhetoric into reality. I strongly believe that USAID has been and should continue to be a vital part of that endeavor. Therefore, it is important for all of us to understand the administration's vision of the role for USAID in the future in democracy promotion. How will policies and

practices within the agency support the advancement of the Freedom Agenda in a world so full of both obstacles and opportunities? How will USAID work with other parts of the U.S. government that are increasingly involved in this vital area?

These are issues which I myself have strong opinions about, as many of you know, but you didn't come here today to listen to me. It is my honor to be able to introduce the man who really knows the answers to these questions. Of course, Andrew Natsios needs no introduction for those of us in the room. He has been at the helm of USAID for almost 5 years. He came to the post with vast international experience both at USAID's Office of Foreign Disaster Assistance, and World Vision, a leading NGO in the field. In addition to his international work, Andrew has distinguished himself through a variety of positions focused on the American agenda here at home. Indeed, I would note that Andrew doesn't just talk about the importance of democracy, he has actually been part of our own democratic system serving as a State Legislator in Massachusetts.

In his time as USAID's Administrator, Andrew has made enormous contributions especially in improving the U.S. government's capacity to respond to disasters abroad and by putting in place a strategic approach to prevent future crises through a new Fragile States Initiative. He has worked inside and outside the agency to highlight that reconstruction and nation building require a focus on how to address the political underpinnings as such crises as an integral part of any response.

Andrew has always been a forceful advocate of what he believes in, even if it makes him unpopular with pesky NGOs at times, and his commitment to development and to protecting and improving USAID is obvious and real to all of us who have worked with him over the past 5 years. It has earned him a great deal of respect from his colleagues and partners both inside and outside the agency for his extraordinary contributions over the last 5 years. Andrew recently announced that he will be departing USAID for Georgetown University to serve as a Distinguished Professor in the practice of diplomacy and adviser on international development. I heard this news with mixed emotions.

It's a huge loss for USAID and for this administration, but a huge gain for Georgetown for which I teach and, of course, for my friend Carol Lancaster. But I know that Andrew will continue to stay involved with the issues he cares about and that he will continue to speak out for what he believes in. And I hope that he will finally stop holding back and say what he really thinks unrestrained by the interagency clearance process.

I certainly look forward to continue working with him in the future. Ladies and gentlemen, please welcome Andrew Natsios.

MR. NATSIOS: Thank you for that very kind introduction. If I only could have gotten that 5 years ago when I started from my colleagues and various institutions.

I would like to start by first thanking Freedom House for this opportunity to address such a distinguished audience of democracy practitioners. Freedom House is an important partner for USAID, and USAID deeply appreciates the work of Freedom House as an educator and advocate of the virtues of freedom and democracy, as a monitor of global

democracy trends, and as an implementor of democracy programs around the world. I might add, if you've been to my office and you look at the walls, you'll see a poster of Winston Churchill, a quote from him from Freedom House. I think it was at some event that took place in the early 1940s in which he talks about small states being gobbled up by totalitarian states which at the time was very appropriate. Of course, Churchill is a great hero of mine. In fact, I have people from the developing world come in, prime ministers and presidents, and they see his portrait on the wall and some of them come from English-speaking former colonies and they say why in a development administrator's office is that portrait on the wall, and I say because he saved Western civilization twice from my perspective.

In any case, I would like especially to recognize Jennifer Windsor, my friend, your Executive Director, who as many of you know in a previous incarnation was the Director of USAID's then Center for Democracy and Governance. I also want to recognize and introduce to those of you who have not already met him, Paul Bonicelli, our new

Deputy Assistant Administrator for Democracy, Conflict and Humanitarian Assistance.

I am pleased to be sharing the podium today with our distinguished panelists, Tom Melia, the Acting Executive Director of Freedom House, and Professor Michael McFaul, Director of the Center for Democracy Development and the Rule of Law at Stanford University. Thank you for being here today.

I am very excited by the third panelist, Ms. Nadezhda Mihaylova. Did I say it right?

MS. MIHAYLOVA: Nadezhda.

MR. NATSIOS: Nadezhda. Thank you. A member of the Bulgarian National Assembly. I should tell you a story, that my first trip to Bulgaria on a DNG conference, Democracy and Governance Conference, took place the second week of September 2001. I can remember exactly I was as Janet Valentine who was the Acting Administrator called me on the telephone as I watched on television what was happening, and she said, Andrew, something very bad is happening. I think we have to evacuate the building. She said we're supposed to get GSA approval. I said, we're not getting anybody's

approval. Get everyone out of the building. As a courtesy she called Rich Armitage who was doing exactly the same thing at the State Department. But I remember being in Sofia when this event took place that has changed at least our history, but I think other countries' history as well.

We have witnessed a number of historic and momentous democratic revolutions during the past 5 years. Democratic transitions have taken place in Georgia, Serbia, Ukraine, Lebanon, among other places, as well as Afghanistan and Iraq. Consolidation of democracies has occurred in countries such as Indonesia, Mongolia and El Salvador. I might add in terms of El Salvador that one of the things I am most proud of is our Foreign Service National Staff who are two-thirds of the people who work for USAID worldwide. I mention that because the new, she's actually been there a year now, Vice President of El Salvador, the first woman Vice President in the history of the country, is a former Foreign Service National with AID for 10 years who received her master's degree with an AID scholarship. Actually, I'd like to have her as the Director of Public Relations for AID worldwide

because she talks about our programs and how critical it was in her own development, and I just want to say that we are very proud of her and many other FSNs who go on to run for office and to hold cabinet ministries around the world.

A number of countries in Eastern Europe including Bulgaria and Romania among others have progressed politically and economically to the point where they have or shortly will graduate from USAID assistance. I've had the good fortune of visiting many of these countries, I think I've been to 70 countries in the last 5 years, and talked with many of the reformers, the activists and the officials who play critical roles in their democracy transitions.

I've also spoken with many ordinary citizens and have seen from all of these people a deep desire and belief in the basic values of freedom and democracy, their desire to freely choose their leaders and representatives, their right to freely express themselves and to participate in decisions affecting them and their communities, and their demand for clean and effective government. I've never actually gone to a country anywhere in

the world where people come up and say we want more dictatorship, we want more corruption, unless, of course, the person I'm speaking to is the dictator or the person who's looting the public treasury.

But it's not just countries with revolutions of color, rose, orange, purple and cedar, where democracy is on the march. Democracy is taking hold less dramatically perhaps in other countries and regions as well. In its most recent global survey released just last month, Freedom House found that the Arab Middle East, a region that had been most recalcitrant to democracy inroads, experienced a modest but potentially significant increase in political rights and civil liberties in 2005. In another key finding, the number of countries rated by Freedom House has not free declined from 49 in 2004, to 45 in 2005, the lost number of not free societies identified by the survey in over a decade. We can all be heartened by this progress and by these trends.

USAID never works along in the field, and I would like to express my appreciation for the excellent work of our Democracy and Governance partners. Many of you are present today and you are

all equally important in promoting freedom and democracy and supporting the brave struggles of democracy reformers around the world.

The most important of our partnerships are with local leaders and organizations promoting reform and democracy. I am pleased that the panel today includes Ms. Mihaylova, and I am looking forward to the comments of someone who has experienced both the tyranny and the birth of freedom in her own country. I have to say I was taken with the beauty of Sofia, and that's one of the things that I regret is not having gone back, but now that I'm in private life, maybe it'll be a little easier.

Democracy is unlike tyranny, Secretary of State Condoleezza Rice has stated because, she said, by its very nature it can never imposed. Citizens of conviction must choose it and make it work a daily process. We must be mindful that the United States cannot manufacture democratic outcomes, but we can and must create opportunities for individuals to assume ownership of their own lives and nations.

Since I became USAID Administrator in 2001, USAID's funding for its Democracy and Governance

Program has increased from $560 million a year, to approximately a billion dollars in 2005. Democracy and Governance are now core elements of USAID's overall foreign assistance goal. I might add there's a lot of discussion among development ministers and my colleagues in other Western democracies that have aid programs about why we are not succeeding in a number of countries in our aid programs, and the general and I think universal view is that we have neglected the issue of governance and of democracy for too long, and I think there's a broad view that unless we deal with these issues, there are going to be more development failures.

How does USAID spend this money? USAID's Democracy and Governance goal is to support the transition to and consolidation of democracy and good governance throughout the world. We coordinate with our colleagues in the State Department, in the National Endowment for Democracy, among others, to apply concerted and consistent pressure and support to reform forces. To achieve this goal, USAID has four primary objectives in our Democracy Framework which is this document you have here which is one of the reasons we're meeting today. This is literally

fresh off the print shop shelf as of I think yesterday.

These four primary objectives which Jennifer will know well are, first, to expand political freedom and competition. That's our first principal strategy. The second is to promote citizen voice, advocacy and participation. The third is to encourage justice and human rights through the rule of law. And the fourth is to strengthen democratic and accountable governance. USAID's Democracy and Governance programs have a tangible impact around the world. In Ukraine, USAID supports a CEELI, that's the Central and Eurasian Law Institute of the American Bar Association program to train judges on election law and adjudication of election disputes.

In December 2004 as the Orange Revolution appeared to falter, the Ukrainian Supreme Court ruled that the November presidential elections had been stolen and ordered new elections, paving the way for victory of the pro-democracy Yushchenko government. I might add that I was in Soviet--I'm sorry, I was in Russia I think it was 2 months ago.

[Laughter.]

MR. NATSIOS: That was just a slip. I'm sorry. Two months ago, and I was in St. Petersburg and had a delightful lunch with two judges, women judges. They must have been appointed when they were quite young because they had served during the Soviet period and then now in the reform period. They explained to me that they now have a combination of the Napoleonic Code tradition, part of it, the European tradition of jurisprudence, with the common-law tradition of the English-speaking world, which of course we inherited from the British. I said, what do you mean you have both? I've never heard of a country combining those traditions in a major way both together. They said, we drew from both traditions what we liked the most. She explained to me in a very interesting way how they had designed their system. I said, are there pressures on you, because all of us are a little worried about what's happening in Russia? They said, there are, and she told me exactly what the pressures are, and they're very subtle, but not so much so that they can't resist them. So based on that conversation as well as our staff, the judiciary in fact is relatively independent,

certainly more than it was in previous periods in Russian history.

In 2004 as the Orange Revolution appeared to falter, the courageous and historic decision of the Ukrainian Supreme Court in Yushchenko versus the Central Election Commission was testament to the success of CEELI's program which provided legal material and the training for several of the Supreme Court judges. I asked the judges in St. Petersburg, in fact, it was outside St. Petersburg, in the city or the town where Catherine the Great's summer palace was which was very interesting. But the concept of an independent judiciary, there was no concept of it during the Soviet period. All of the state was simply subservient to the Communist Party and the Communist Party apparatus, so the very notion of an independent judiciary in the Western tradition was something they couldn't even conceive of, and now it is rooted in the minds of every jurist in Russia and in the legal profession which is a very important change.

I might add, the most important parts of development are things you cannot see. They are changes in values, in world views, in attitudes, and

the transfer of technologies and systems which you can't see. Is development also roads and bridges and courthouses and things you can see? Yes. But the most important things are the more invisible things because it's very difficult to get ideas out of people's heads. You can blow up a bridge or you can destroy a bridge or neglect it if you build it, but the ideas that are in people's heads are very difficult to get out of people's heads once they're there, particularly if they find them attractive.

In Afghanistan, USAID's support to the electoral process played a key role in ensuring successful presidential and parliamentary elections. With the assistance of a number of our partners, AID provided technical expertise in areas such as election planning, voter education, logistical support and training for the election staff, to ensure that proper international election standards were observed. On presidential election day, Afghans came out across the country and voted in huge numbers, with approximately 75 percent of those eligible casting ballots. Hamid Karzai was elected President in Afghanistan's first free and fair election in the post-Taliban era, but the vote

represented more than just a vote for the head of state. For Afghans it represented a vote for moving forward on the path toward peace, prosperity and democracy. There's a famous scene which we took picturers of of women waiting all night to vote in that election. In fact, when the time came, there was a holdup in getting in and they literally broke all the barriers down to get in.

There was also a wonderful scene where the senior women leadership in the country went in to see several newly elected recently political leaders and said, you know, the only reason you got elected is because of us, the women. And if you look at the polling data, you can see that, and you're not doing what we asked you to and we're going to remember in the next election. I said, you didn't quite put it like that, and they said, we put it more gently, but the message was nevertheless delivered. It does have an effect to know where your votes came from in any political system anywhere in the world.

Last month in Iraq's parliamentary elections, it was a tribute to the courage of Iraqis and testament to the power of democracy. I'd like to point out that considerable state work was done

by AID in preparation for the day. In fact, the December 2005 national elections built on the successful January 2005 national election, numerous provincial elections, and the constitutional referendum all contributed for the foundation of these more recent elections. Since 2004, AID has provided extensive support and technical assistance to Iraqis as they work to build a democracy society. This speech is going to be 2 hours with all my stories, but this is my last formal speech, so you're going to have to listen to this 2-hour lecture this morning. I'm sorry. You've captives. Lock the doors, please, so no one can leave.

[Laughter.]

MR. NATSIOS: I was in Iraq in June 2003 and I met with some students from the universities. This young man who was from Fallujah, interestingly enough, he was a fine arts student at a university in Baghdad. I said, what do you want us to do here? I was expecting turn the electricity on or clean the water up. None of them said that. It was very interesting. I said, what do you want us to do here? We're an aid agency. You've never heard for us before because we've never had an aid mission

here in Iraq. And they said, we all want democracy in our country. This is the fine arts student speaking, but he was speaker for the broader students because they all agreed with him afterwards. He said, we just don't know what it is. I said, why do you want it if you don't know what it is? He said, what we had before was unimaginable. You could not imagine the terror that we lived under constantly, that if we said the wrong thing or talked to the wrong person, we'd simply be arrested. If you were on a street corner and you were talking to the wrong person, you'd get arrested and tortured. It was a climate of fear. In fact, there's a book on Iraq, The Climate of Fear or The Kingdom of Fear. Republic of Fear. Excuse me.

I said, why did you choose democracy? He said, because Western Europe and the United States and Canada and Japan, the Western democracies which are the most prosperous and the most free societies, have your system and we just don't know what it means, so you guys explain it to us. If you can do that, you will have more effect on our society than anything else because most Iraqis want it, but they just don't know what it is, which I thought was an

intriguing insight into what an aid program should look like in Iraq.

Unfortunately, freedom and democracy are not flourishing everywhere. In its recent global survey, Freedom House noted disturbing declines in levels of political and civil rights and freedoms in several countries including the Philippines, Russia and Uzbekistan as not free, countries in which a broad range of freedoms are systematically denied. What this means is that we all have much work left to be done in supporting democratic change and the spread of freedom in all parts of the globe.

With that in mind, I would like to talk about USAID's new Democracy and Governance Strategic Framework. I am pleased to unveil USAID's new Democracy and Governance Strategy entitled At Freedom's Frontier. That's the document I just handed out. This new strategic framework extends beyond elections which I think too long has been people's image of democracy programs is only whether you provide some support just before elections take place, and engages all aspects of democratic promotion, transition, consolidation and governance. It is designed to help translate into deeds and

actions the words and beliefs of President Bush's Second Inaugural Address which firmly established support for freedom and democracy as the essential goals of American foreign policy.

There are I think three compelling reasons for placing democracy at the heart of this nation's foreign policy. First, the American people support these programs as a matter of principle. Freedom is the inalienable right of all people, all people have the fundamental right to participate in decisions that affect their lives. Again, as Dr. Rice has said, our power gains its greatest legitimacy when we support the natural rights of all people, even those who disagree with us, to govern themselves in liberty.

Second, promoting freedom and democracy is a critical and central part of our national security. Democracy addresses a root cause of political extremism and international terrorism. That is, it addresses the problem of authoritarian governments which lack political freedoms and accountability. These deficits often led to widespread internal dissatisfaction and

disillusionment and ultimately instability, the breeding grounds for terrorism and outlaw regimes.

Third but not least, democracy and governance are essential ingredients for economic growth and development. Conversely, corruption and bad governance are critical causes of low levels of economic growth and development. If USAID is to have success in its overall development goals, then it must help to build and support governments within countries that are capable, competent, transparent and accountable. This at any rate is the argument of Nobel Prize winning economist Amartya Sen who addressed the my agency last month as the second recipient of USAID's Annual George C. Marshall Award. By the way, as you walk into the lobby now of AID, we just named it yesterday the Marshall Hall, so we named it after the godfather of AID, one of the great figures in 20th century American history, George Marshall.

It has long been a staple of democratic economics that a certain level of economic development is crucial to democracy takeoffs. There's a whole literature that goes back several decades on this. Sen argues persuasively the

corollary, the importance of democracy and good governance to the takeoff of development as well as its sustainability. USAID's new Strategic Framework will help to orient USAID's overall development agenda to focus on issues of effective and democratic governance in the countries in which we work. By better understanding a country's political and democratic context, USAID can develop strategic approaches for addressing that country's primary democratic deficits and challenges.

USAID's new Strategic Framework focuses on four pillars, how best to support the spread of freedom and democracy in four very different stages of transition. Those are the four things I mentioned, but let me go into them in a little bit more detail. The first pillar of our strategy of the four is to expand freedom in authoritarian states. USAID's goal is to strengthen credible forces of reform wherever they are. Let me just add our real strategy, and in any good development agency, is to support people at the local level who are showing leadership. Dr. Rice said you can't impose, but you can support forces of reform.

I met once with, I won't mention the developing country that has a reputation for extraordinarily high levels of corruption, and we met the commissioner of a commission set up to deal with corruption. He said to me something very interesting. He said, it's very nice to have the funding, and you've helped me with some legal lawsuits so that we won and that's helped, too. But do you know the most important thing is your D&G office, your Democracy and Governance Officer, Foreign Service Officer, in the AID mission is there all day long and I call him up and ask him, we strategize. Is this a good idea? Is that a good idea? And you know, without him I would have been so demoralized because my life has been threatened, my family has been threatened, and without him sort of giving the morale to me and my staff, I don't think we could have proceeded with this. He said, if I had a choice, I'd take your officer over the money. I said, that's very interesting. Normally people want more funding, and I've heard this from other people as well. He said, sometimes it's not clear what we should do technically, but in other cases we know what we should do, we just need

someone to sort of help us get through the process with all of the opposition that exists.

Given the limited political space, human rights concerns for our partners and the poor likelihood of achieving short-term impacts, USAID's engagement in promoting freedom and democracy tends to be less visible, longer in duration and more targeted. Civil society, private-sector actors and the media are logical partners in this approach, although we also work to identify potential reform elements within the state that could benefit from our support.

The second pillar, in supporting democratic breakthroughs, USAID will continue to support the momentum for democratization often initiated by public civil society organizations. However, USAID support will also shift to focusing on the new government by helping it to establish and strengthen institutions of democratic and accountable governance. Assistance must be immediate and should target new executives, ministries, parliaments, courts and security sector institutions, while also supporting measures to counter corruption.

It is critical that democratic reforms provide early tangible benefits to the public in order to build upon and maintain democratic momentum. I might add there are countries that have gone to democracy and have moved backwards away from it because the government is so incompetent, so incapable of providing public services or protecting people that people say, what use is this? It's very easy for Americans to say, if you are more interested in goods and services from the state and less interested in freedom, all these quotes, it's easy for us to make those quotes in a country with a functioning democratic government that has a long tradition where most of us are secure most of the time. But if you're in a developing country and the survival of your family and children depend on the water supply or functioning markets or a police department, these are not peripheral questions. And if the state is so incompetent, even if it's democratically elected, then people's faith in democracy deteriorates over time.

The third pillar is USAID's support for consolidating and strengthening the democratic process is a long-term project. We will focus on

strengthening the rule of law, institutions of democratic and credible governance, to programs designed to improve effectiveness, transparency and accountability. We will strengthen political parties, bolster anticorruption measures, support a politically active civil society, improve economic governance, as well as governance in other sectors such as health, education and the management of resources.

The fourth pillar is finally to help build the foundation for the development of stable democracies in fragile states, USAID's will be targeted at the rebuilding the political, economic and social fabric of countries and communities damaged by conflict, collapse or failure. Let me add something here. When I first started at AID 5 years ago, I asked PPCR, the Policy, Planning and Budgeting Office, to do a little study for me to find out how many of the 80 countries in which we had AID missions had been through some sort of civil conflict, major conflict, where hundreds of people had died or thousands of people had died, where there was an overt civil war or regional war in the country. Two-thirds of the countries in the

preceding 5 years had had substantial civil conflict. Two-thirds. The notion that these conflicts have no effect on development is ridiculous. It has a profound effect on it. It can destroy any progress of development overnight. I can give you country after country. So we have concluded that we need to deal with the elements of state fragility and of conflict in our development program or we're going to continue to be a failure in those states that are fragile.

Two central propositions of the foreign policy of the Bush administration are, one, that fragile states, this is in the President's National Security Strategic, are a threat to the national security of the United States. It's not an accident that bin Laden's three headquarters were first in Somalia in the late 1980s, then he was kicked of Somalia and where did he go? To Sudan. Somalia still doesn't have a national government. They haven't had a national government in 15 years. To say that Sudan is a fragile state or a failed state, not many people would have an argument with you. They've been at war between the north and south for

22 years. They signed the--peace accords, but then a new horrendous event took place in Darfur.

So he was kicked out in mid 1990s under pressure from the Clinton administration out of Sudan. Where did he go? Another failed state, Afghanistan. Why did he go to three failed states? It's not because poverty creates terrorism because bin Laden wasn't from any of these countries. He wanted to be able to buy the state which is what he did in Afghanistan if you read Ahmed Rashid's took The Taliban. He bought the state, what was left of it. What did he do? He was able to operate without any constraints because the institutions were nonexistent or so weak, that he could do whatever he wanted to, and he used that base to attack the United States and to attack other countries in the world.

According to Secretary Rice, the phenomenon of weak and failing states is not new, but the danger they now pose is unparalleled. Absent responsible state authority, threats that would and should be contained within a country's borders now melt into the world and wreak untold havoc. Weak and failing states serve as global pathways that

facilitate the spread of pandemics, the movement of criminals and terrorists, and the proliferation of the world's most dangerous weapons. It is not just terrorist networks go there, but counterfeiting rings go there, criminal cartels that traffic in human beings, drug cartels, all of them are drawn to states that are either collapsed or failing because it's so easy to operate there.

The second principal focus of the administration's foreign policy is the advancement of democracy and good governance that are keys to the establishment of a more peaceful and stable world. In our view at AID, there is a direct link between state fragility and failure and bad and oppressive governance, and Sen argues, effective and legitimate democratic governance is essential to reducing fragility and promoting transformational development. In the longer term, democracy makes more effective and much fairer governance. USAID is committed to making the programmatic and organizational changes within our structure to implement these two important concepts. A major initiative of mine has been to integrate the programming and delivery of these two concepts.

That is why we created our Bureau of Democracy, Conflict and Humanitarian Assistance, and why we continue to innovate with new strategies and tools. For example, when we send DART teams out, the disaster assistance response teams, we put in a Democracy and Governance officer to see what interventions we should consider making in the country in crisis who could facilitate reconstruction or peace in those areas. We have done very, very good analysis out of one of my favorite offices because I created it, probably, the Office of Conflict Mitigation and Management. It has done some excellent work in what are the causes of conflict and how development can contribute to the reduction of conflict.

Our governance efforts in fragile states build accountability and establish security, the rule of law, human rights and justice. They build consensus and create new constitutional and legal foundations. Most importantly, the build the skills of those who participate in and operate the government which are essential to preserving these new institutions. I would be remiss if I did not also recognize the real heroes of democracy, the

many courageous reformers in countries with whom we all work in the fight for democracy and freedom. They include the millions of people around the world who brave long lines, harassment and sometimes worse to vote in democratic elections. Or the hundreds of thousands of civil servants and government employees who do their job, provide important public services, receive their salaries and who do not engage in corruption or benefit from bribery. Or the thousands of democratic reformers who often risk their reputations, livelihoods and their lives to stand up for liberty in the face of repressive regimes and corrupt interests. Finally, the smaller but still significant number democratic activists who lose their lives in the fight for freedom and democracy.

The time is promising. At the end of the last century, the totalitarian rivals of democracy had been defeated and discredited. In their aftermath, not surprisingly, the democratic gains have been dramatic in the formerly captive states of Eastern Europe and elsewhere. The democratic wave has now penetrated into the Middle East where its influences have long been effectively blocked.

The foreign policy of the United States has always been guided by democratic principles. This is because our own guiding principles are based on equality and universal human rights. In the past, however, we have the ally and protector of democracies, and we have spent much blood and treasure on these endeavors. But also on the path, the influence of this country was more limited and its choices more complicated and, of course, there were equities in other American interests abroad.

Today the case for democracy is more compelling and our influence more extensive. Today post-9/11 we now see the spread of democracy, our nobelist ideal, as inextricably linked to the survival of our way of life and our own national security interests. The President has made democracy and development the centerpieces of his foreign policy, and USAID will be at the center of these endeavors with me or with my successor, particularly since Dr. Rice is so personally committed to this and is moving reforms within the federal government that will advance this. Personally, I can think of no better legacy than I

could leave to the agency that I have been honored to serve these past 5 years. Thank you very much.

[Applause.]

MS. WINDSOR: Thank you, Andrew. At Georgetown there actually is a 40 to 50-minute limit on classes, so you'll have to get special dispensation I think.

It's now my pleasure to introduce a number of panelists who will make a few brief comments to start off our discussion, and Andrew has graciously offered to stay to answer at least a few of our questions. First will be Tom Melia who is currently the Deputy Director of Freedom House. He was in fact Acting Executive Director until I came back from maternity leave yesterday. He has worked in the trenches of democracy promotion for the last 20 years. It started through his work at the Free Trade Union Institute which was part of the AFL/CIO in the 1980s. He then worked at NDI for 12 years starting their programs in Central and Eastern Europe, the Middle East, and expanding their portfolio to include broader governance issues, and ultimately becoming Vice President of Programs at NDI.

After a brief foray into academia at Georgetown University where we in fact co-taught a course on democratic development together, I was able to convince Tom to go back to the trenches and join me at Freedom House last year. Tom?

MR. MELIA: Thank you, Jennifer, and thank you, Andrew Natsios for that powerful review of the state of where we are in democracy promotion as 2006 begins.

What I'd like to do is highlight a few of the key findings from the most recent edition of Freedom in the World, our flagship publication that has been reviewing the state of political rights and civil liberties in every country in these United States since 1972. In mid-December we issued the assessments and the scores for all the countries for the year 2005, and as a newcomer to the process but having been a consumer of these reports for many years, I was heartened to see how rigorously and how thoroughly they are prepared. It's really quite an impressive production feat to combine reports and analyses from 192 countries and several territories and cull expert analysis that includes the quantification into the scoring system and go

through a process of expert reviews by regional experts and put it all together in a cogent package in an increasingly fat book that we hope all of you will purchase when the hard copy book is available soon. In the numbers that have been released in the last couple of weeks, there are at least four interesting stories that I think I'll just capture as a basis for today's discussion.

First of all, the former Soviet Union has not only long since broken up, but it's traveling in several very different directions simultaneously. We see that in the review this year. Five countries that were once part of the Soviet Union recorded gains in political freedom, the most significant being Ukraine's improvement from the status of partly free to free, Ukraine thus becoming the first non-Baltic country of the former Soviet Union to join the ranks of the free. At the same time, another one of the former Soviet republics, Uzbekistan, declined as it has steadily over several years this year finally to the lowest possible score in our survey's methodology, receiving a 7 on political rights and a 7 on civil liberties.

To be sure, as in other regions, gains for freedom were not consistent there. There were approximately the same number of gains and losses in both Latin America and Asia, and slightly more gains than losses in sub-Saharan Africa. So there are a number of countries and regions in which to be encouraged about the state of freedom, the most interesting of which is the Middle East, and that became the headline of many of the news accounts of our survey's release a couple of weeks ago, that the Middle East from a very low foundation of political freedom in almost every country has begun to register some movement in the right direction. These are not always the result of actions by governments. Just as often, they're the result of actions by citizens, by civic movements, by political actors outside of government, by a lot of actors including but not confined to government actors.

In the Middle East in the past year we saw significant noteworthy expansions of freedom in Lebanon for reasons that are well known, in the Palestinian Authority during a time of transition and continuing violence, nevertheless there was an

expansion of freedom that seems to have accompanied the change in leadership from Yasser Arafat to Mahmoud Abbas. Also in Egypt in a very troubled election year there were expansions of freedom we would say partially because of some changes in government structures and changes in the elections, but just as importantly, because of the space that was seized by civil society and by new political formations.

Iraq, again notwithstanding many difficulties, there has been progress registered in political institutionalization. Kuwait saw women win the right to vote. And in Saudi Arabia, again, starting from a very low set of scores in our methodology, they finally moved from a 7-7 which they've had for every year of our survey, so achieve a score of 6 in the civil liberties side. Again, that's the result largely of increased assertiveness by independent actors in civil society.

In addition to the progress in the core countries of the Middle East, the period also saw important gains in other Muslim majority countries, the most significant of which is Indonesia which saw further consolidation of its political system in

another round of successful elections and a transition to new leadership, and in other countries we saw less dramatic but still continuing signs of democratic advancement in Mali and Senegal, and even in Mauritania which suffered a military coup this year, but the new autocrat seems to be more tolerant of diversity and dissent than his predecessor. So again sometimes looking at it from low foundations you can still see signs of improvement in the quality of freedom in these countries.

The third big story from this year is that overall, the state of freedom in the world is advanced from where it was a year ago. Some countries went backwards, but more countries went forward. We see an interesting statistical convergence, this is some kind of millennium kind of occasion, in which we see that 46 percent of the world's 192 countries now are considered free countries. Also 46 percent of the world's population lives in free countries. So we haven't quite tipped the balance to the majority of the world yet, but we're coming close. And this was a year in which there was advancement made on all fronts even while there were some setbacks.

The fourth large point that emerges from our story I think is that many of these gains are still fragile. Liberia represented a movement forward because of successful elections and the establishment of constitutional government, and yet we can all see how fragile that gain is. There are other important hopeful gains in countries around the world that are fragile, and it's important to realize that many of these gains could be easily or quickly reversed. That's what our survey suggests as 2005 comes to a conclusion and 2006 begins.

I'd like to pose two questions, therefore, for this discussion. One is, what does all this progress and freedom have to do with us here today? On a celebratory occasion, and there is reason for celebration this January in making the successful conclusion in making Mr. Natsios's tenure at AID, this is a celebratory occasion. But it's also a moment in which I think we all need to be modest and demonstrate the appropriate level of humility about what our role in these changes has been. We should be careful about the ways in which we connect the dots between our work and these strides in freedom that are taking place around the world. This is as

important for us in NGOs and in various kinds of activist roles as for government agencies. What is the connection between what we do and these advances in freedom?

After all, as Mr. Natsios said near the conclusion to his remarks, it's important to remember that the principal authors of what advances there have been in 2005 as in previous years are not in this room today and they don't live in this city. The principal authors of the advances of freedom around the world are sitting today in Kiev and Jakarta, Cairo and Beirut, Monrovia, Bangi, Tegucigalpa and Buenos Aires. Our role is to be supporting and facilitating and enabling them, the men and women who want to live in a democracy and are prepared to take courageous action to see that dictatorships are peaceably displaced and that opportunities are expanded in their countries. Our role is the secondary one, to help them accomplish their vision.

At the same time, it matters what the most important and the most powerful country in the world does. So turning back to what we can do to support this worldwide movement for democracy, the question

more immediately before us is, are we adequately, properly, fully utilizing all the assets we have at our disposal? It's been conspicuous over the years that sometimes even all of our government agencies aren't all rowing in the same direction when it comes to promoting democracy and freedom around the world. There are signs that that's improving. Even in this administration there is significant evidence and some real evidence that the agencies are coming into greater harmony and more of them are working on the democracy agenda. We've seen that even in recent months, that the intelligence community has been charged with taking this more seriously and elevating its devotion to analysis and activity in support of this program. We see increasing convergence between the State Department and USAID. And we see increasingly that other agencies that have roles to play are becoming part of a coherent whole.

I would say that there remains particularly as the nongovernmental actors can play a role room to be done in better utilizing all of the assets. Are we doing as much as we can to bring to bear the experience and the insight from our trade union

movements, of our business community, of our faith communities, of universities and other aspects of civil society in going abroad and sharing what we know about democracy and how it works and how it makes a difference in our lives? I think there is room for further improvement in that regard, and I hope that we can talk further about that today. Thank you.

[Applause.]

MS. WINDSOR: Next I'd like to introduce Dr. Mike McFaul. He is currently an Associate Professor, Senior Fellow and the Director of the New Center for Democracy Development and Rule of Law at the Hoover Institute at Stanford University. Dr. McFaul is a leading analyst of democratic development and a frequent commentator on major news outlets. Dr. McFaul is especially well known for his insightful analysis and views on the state of democratic development in Russia which is near and dear to Freedom House's, or the lack thereof, I guess, to Freedom House's heart, but he's also done some important work understanding how the Orange Revolution and other color revolutions have come

about. So now I'd like to turn to Dr. McFaul. Thank you.

MR. McFAUL: Thank you. It's a real honor to be here. Congratulations, sir. I'm here both to talk a little bit about your legacy but also to welcome you to your new profession, Professor Natsios, if I may, and what I want to do is just talk a little bit about the achievements, as an outsider looking at this from the perspective of somebody who is not in your profession but who is interested in analyzing your profession, and also talk about the challenges that come as a result of your successes, and I'm going to spend more on the challenges because you spent so much time on the successes, which I'm just going to echo, very briefly.

I think they're substantial. I think it's been a good five, fix years for those that care about the expansion of freedom in the world.

First, democracy promotion is no longer is no longer a tertiary issue in U.S. foreign policy. Historically, as you know, it ebbs and flows and it doesn't correlate with Democrats or Republicans being in power.

Some of the worst presidents we've had for democracy promotion have been Republican; let's be honest about that. But I think, after September 11th, the pendulum swung in the right, and by that I mean correct direction.

Access to raw materials and bases of course will always trump what you all do in this room. Stability versus democracy. Rhetorically, we are no longer committed to stability. In what we do in certain countries we are committed to stability; let's be honest.

But the language of the president and the work that you have done has, I think, changed, considerably, the place that democracy now falls in terms of priorities.

Condi's use of transformational diplomacy has already been mentioned. That is a radical departure for her. We had transformational diplomacy at other times in history but that's a radical rethinking of the role of the diplomat and I applaud it.

Moreover, I can tell you just as somebody who deals with Bush administration officials from time to time, I get a lot more questions about democracy promotion than I did maybe five or six years ago, from senior people that now see this as something that they have to focus on. That's a good thing in my book.

Second, and related to this first point, that's already been mentioned in Mr. Natsios's address, is that democracy promotion is now seen as intertwined with other developments and national security goals.

I think this is a tremendous analytic process. It's no longer off to the side. You know, the democracy folks, what are they doing over there?

My wife used to work for you a decade ago in Moscow in--now you call it the D&G offices. And I always remember, they were always complaining, oh, the real AID people, you know, the economic people, humanitarian intervention, and we're off on the side. It's still probably still that way if you look at your budgets, but it's no longer as

imbalanced as it used to be. I think that's real progress within AID.

But that's not the real achievement. The real achievement is that you can now talk about national security, the hard issues with democracy in the same conversation with decision makers. That didn't use to happen before.

You can now talk about the relationship between democracy and economic development in a much more sophisticated way, that you already had remarked upon.

We now know, for instance, that autocracies are not better, on average, at development compared to democracies.

We need to know a lot more and I'll get to that in a minute. But that's a good thing. That's progress.

Third. As already mentioned, I think there's been some real breakthroughs on your watch, you, Mr. Natsios, and everybody here.

We've already heard about the Middle East but I think the breakthroughs, the so-called

[inaudible] revolution are also tremendous breakthroughs that I think affirm some of the decisions that AID and its partners made in those places at a time when others, writing, including myself, I'll admit, questioned whether you were making the right decisions.

Ukraine's been mentioned. We could add, I think, to the list Georgia, and I would go back to Serbia as well. But I think it affirmed the idea of supporting civil society and not just working with the state.

I think it affirmed the idea of small grants programs as being a bigger and a more important part of what AID does.

I think it affirmed the importance of elections.

Now we all know, as you said in your speech, democracy's not just about elections. That's a banal, stupid argument, published by my friends. Yes, of course, we all know that. I mean, that's an idiotic thing to say democracy's more than elections. Of course it is.

What I think the democratic breakthroughs also shows, however is the centrality of elections as focal points for creating the space to do all these other things and I think that's a really important thing to remember, moving forward.

It also proved, these breakthroughs, of the importance of staying in the long haul.

I was in Ukraine in 2002 looking at democracy programs and everybody was rather pessimistic, including the ambassador, our colleague Ambassador Pasquale, about the ability for something positive to happen in 2004.

Well, I think the lessons of these breakthroughs is that actually staying there for the long haul does have payoffs in unanticipated ways.

And fourth and finally in terms of achievements, I think with time and increased resources, democracy promotion is no longer just a cause but a profession, and I think that's a good thing, on balance.

It had some negative consequences but, on balance, I think it's a positive thing.

But with all of those achievements come new challenges, and I want to provoke you now as professor, as you go over and move over, and at Stanford, by the way, we have longer lectures, if you want to come out, hour and ten minute. We understand the importance of giving professors time to talk, as I hope you will too, Jennifer.

You can't just stand in place, the world is moving, and I think with these achievements you've now created a new set of challenges for those that continue in this business.

First, with greater attention from the White House, also means a greater role for government officials, who now have decided that they're democracy promotion experts and they're going to tell you what to do.

On balance, I think it's a good thing, that they're interested. But they're neophytes at this. Let's be honest. Including the president; including Condoleezza Rice.

They're learning on the job, and the tension between having government in the democracy

promotion business versus AID and versus NGOs, one step removed, I think that is a real challenge moving forward.

Transformational diplomacy is good but I also think we need to affirm and protect the space between democracy promoters in the field and the U.S. government writ large.

Second. Democracy promotion, as I've already said, is now intertwined with these other development and national security goals. But let's be honest with ourselves.

We do not really understand how these things interrelate very well. At least we in academia don't. Maybe you all do; then you need to write more. But we in academia don't. I think it's pretty clear that the defeat of autocracy and the rise of democracy in the 20th Century has made the United States safer, and I have a whole lecture on that for another day. I don't need to lecture this room about that.

Therefore, I think it's a reasonable hypothesis to make the claim about the greater

Middle East, that in the long run democracy would help eliminate threats in Iran, it would help to make the Middle East more secure, therefore less demand for weapons of mass destruction and less demand for our troops being in place in the long run.

In the long run, democracies are more transparent, more effective states, less likely to harbor terrorists like Mr. Osama bin Laden.

In the long run, democracy development leads to economic growth, pushes radicals to the side, the median voter tends to be in the middle, rather than an extremist. But that's all in the long run.

In the short run, the relationship between the rise of terrorism and the beginning of democracy is not very well understood.

In the short run, the big windfall winners in the new elections in the year 2005, throughout the region, including Iraq, small secret, has been the Islamists.

So what do we do with that? I think its' a good thing and I have an analytical argument for why I think it's a good thing, based on experience in other countries and historically.

But I can tell you, having made that argument in Jerusalem, not long ago, it's pretty hard, when you're sitting in Jerusalem, to talk about why it's a good thing for Islamists to be participating in elections in places like Palestine.

So I think that is a challenge. We create new challenges by getting into this bigger debate.

Third. The scope of democracy promotion has gone global. You mention the four pillars now, which I think is exactly right. These are the four pillars I would look at too.

But I would say we haven't grown in our complexity about specializing in those four pillars. We kind of do the same five or six things in all countries--not exactly, that's not exactly fair--but we don't have specialists in democratic breakthrough, for instance; right? Maybe they're here. But I don't know where they're at and I don't

know where they're at in the bureaucracy of the government.

Likewise, undermining autocracy is not the same as dealing with post-conflict states. We need to have greater specialization and differentiation within the organization, within the U.S. Government, and I would say trying to build up a failing state and promoting democracy there has nothing to do with promoting democracy in a country like Russia or Iran.

So as we expand and do the bigger, or more things, we face a lot more different kinds of challenges than, say, 20 years ago.

Fourth, challenges created by your success, if that the autocrats are also learning; let's just remember that. They learn from color revolutions in Russia, China, Egypt, Venezuela, Zimbabwe and Iran, and they're most hostile and more sophisticated, therefore, enforcing your efforts. We have to learn as well.

Fifth, and related to all these things is the organizational challenge that I think we face.

I'm not going to go into this now, but the reorganization of the U.S. Government to do all the things that George Bush had called upon you to do has been grossly inadequate.

Now four years ago, I wrote flippantly, what really needs to happen is AID needs to increase its budget by ten times, Mr. Natsios needs to become a member of the Cabinet. I think I call--yeah--the Secretary for Preventive Defense is what called it. You didn't get that promotion. I apologize. That was not successful.

We've had smaller things, the Office of Reconstruction and Stabilization. But I would say it's woefully inadequate. How to do security in democracy promotion at the same time, we still are just at the beginning of trying to reorganize to do it right.

General Abizaid likes to say 10 percent of the war on terrorism is a military fight and 90 percent is a nonmilitary fight. By my calculations, that means that the budgets for AID and those that

are in the development and construction should be $3.8 trillion.

It's not. We know that. You did a great job fighting to increase the budgets for democracy but I think it's still woefully inadequate, and moreover I would say the hierarchy of who gets to decide about democracy is still wrong.

When the military makes a plan to destroy a bad regime, the generals get to be at the table on the plan.

When the Bush administration makes a decision how to construct a regime, I think you all, as the experts in this business need to be at the table, and you're not because of these resources and the way our government is presently organized.

Sixth challenge. You have to convince the American people that what you do is in our national security interests. It is not the case. Go to Iowa, go to Montana, go to South Dakota where I sometimes speak. It is not a slam-dunk obvious thing that this--we all agree, we don't need to lecture to each other. The American people are not

quite with us. If you look at opinion polls, ABC poll from six months ago, Do you think promoting democracy is in the national interest? 55 percent of Republicans said yes, 33 percent of Republicans said no.

Only 13 percent of those identified as Democrats affirmed that that was a national security interest. That, to me, is a problem for doing this in the long haul, if you believe, as I do, that President Bush and the Republicans will not be in power for the next 30 years.

Moreover, look at the Chicago Council on Foreign Relations poll on this. Americans do not support the use of force in the name of democracy. That's obvious.

But I think more damagingly, only 26 percent of those polled agreed that more democracies make the world safer. They don't think it reduces terrorism, they don't think it leads to more friendly regimes for the United States, and in a very specific question, only 26 percent of the American people believe that a Democratic government

in Saudi Arabia would make that regime friendlier and a better ally of the United States. that's a problem, if you want to be in this business for the long haul.

And seventh, and finally, as the business expands, I think we have to do a much better job of evaluating, assessing, and learning what you are all doing. This is really a criticism now to professors, not [inaudible], and Professor McFaul. It's our problem. You know, I teach a course on democracy promotion at Stanford.

The literature, with all due respect to the panelists who are on my syllabus, the literature is atrocious. There's nothing.

You know, if you're a young--I have lots of young seniors at Stanford who want to join your business and they say, well, what should I go read, to learn how to be a democracy promoter? The literature doesn't exist.

Tom Carruthers [ph], heroic job, but he's one voice.

It is horrendous, what we have done to try to trace and connect the dots that Tom talks about. Yes, we have our internal evaluations and that part of it.

But I think the challenge is to academia, Professor Natsios, to try to actually answer the question that Tom put on the table. We have to do a much better job and you would never get away with what you do in the private sector without that kind of feedback, without that kind of documentation about the causal relationship between what you do and the rise in Freedom House scores [?].

And when you do that, and when we do it, my final plea, in the spirit of Tom's last point, would also [be] to bring those that are our partners in the countries into the analyses. When I teach a course at Stanford, on the last day you pass out an evaluation form, and a week later it shows up on the Web.

So a week later, every student who sits in my class gets to say what they think about Professor McFaul, anonymously.

I went around and checked some Web sites of those in the room today, of people from around the world, praising what you do. And I have no doubt that they're telling the truth.

But I have no doubt that you're not perfect. Right? It cannot be the case that every AID program in the last five years has been a tremendous success.

I would like to see a way that those who are your partners, and they would say recipients or targets of your work, have a way to transparently but anonymously also be part of the feedback.

I think that would make our programs much more effective and make our claims of success much more legitimate. Thank you.

[Applause.]

MS. WINDSOR: Thank you, Mike, and finally, it's my pleasure to introduce a woman who has been a friend of Freedom House since we first got to know her through a fellowship we organized for her here in Washington back in 1991.

this was at a time when her home country of Bulgaria had thrown out its repressive communist regime and was beginning the painful process of reforming and rebuilding.

Ms. Nadezhda Mihaylova has and continues to play a key role in that reform process and had worked tirelessly to help integrate Bulgaria into the community of democratic nations.

She is currently a member of parliament and sits on the important foreign policy committee and a leader of the main opposition party in Bulgarian politics, the Union of Democratic Forces.

She is also vice president of the European People's Party, the principal center right political family in the European parliament and in Europe, a post she's held since 1999.

She became well-known in Washington and around the world when she served as Bulgaria's minister of foreign affairs from 1997 to 2001.

Please welcome Dr. Nadezhda Mihaylova.

MS. MIHAYLOVA: Thank you very much.

First of all, let me thank Freedom House to giving me this opportunity to speak to this distinguished audience, and secondly, I would like to apologize that I am not going to read my prepared list and books because I would like to speak from the bottom of my heart and to say a few things about how we promote democracy in Bulgaria.

Because it was a top job, I've been in this job for 15 years, and I really couldn't believe it, that the last time when I was here I was a foreign minister. I spoke in this room in my capacity as a foreign minister. It was a very difficult time because the four years in government were the time when Bulgaria had to struggle, not only for democracy but for the return to the map of Europe and to the map of the world.

At that time we had a couple of challenges. Because the title is Success And Challenges, I also will, would like to speak more about the challenges than about the successes, because the successes are obvious.

Bulgaria now is a member of NATO and is very close to a full membership in the European Union. But unfortunately, there are a lot of unfinished work,and a lot of things we have to respond. Firstly, the dreams and the hopes of people, that they will be able to live in their lifetime in a better life, more secure, more just, and more prosperous.

At the time when I was in the government, first of all, I would like also to say that the National Forum [?] Foundation was the organization which provided me with opportunity to visit the United States for the first time in my life, 15 years ago.

When I came here to Washington, I was not able to speak fluently the language. I didn't know quite a lot about the country. I hadn't visited any Western state before I came here for the first time in Washington.

I came here as a visiting fellow of the National Forum Foundation and I was trained in

journalism. I never expect then that I will become the first woman foreign minister of my country.

I graduate linguists in Sophia University and my background doesn't have a lot to do with my current job as a politician and a foreign affairs practitioner, let's say, in this way.

Then I became a spokesperson for the first democratic government of Bulgaria. We won elections against the communists with 1.5 percent. At that time the very famous slogan was that we won with a little but forever. But it didn't seems to be so, so easy, the way we see it at that time. Unfortunately, the first democratic government of Bulgaria lasted only for ten months and because of the restructuring of the parliamentary majority, it was defeated by the former communist party.

Then we have seven years of being at the middle of nowhere when in 1997, we won with overwhelming majority, and I became a foreign minister of the most successful Bulgarian government which provide Bulgaria with a lot of new opportunities.

Firstly, we were able to stabilize the country. In Bulgaria was introduced a currency board which seems to be a very effective measure for stabilizing the financial system and the banking system. We introduced our application to the European Union. We abolished the visas.

But those were the successes. The most difficult moments were the moments--were three of them.

The first one was the Kosovo crisis. At that time Bulgaria took the right side, supporting the international community, firstly because here we spoke about that each country has to follow its national interests, and I was trying to explain to the people in my country that we are not simply following the international interests but to support the international community was very much of a Bulgarian national interest because we have to stop the refugees and to be able to change the life in the Western Balkans, and that seemed to be at that time a very difficult task.

I still remember the time when we have to stop or to let the Russia aircraft to overfly Bulgarian territory and that was a historical moment in the war of Kosovo, and at that time the Russian ambassador called me at home and he said that I'm not allowed to stop the Russian aircraft to overfly Bulgarian territory. But we did it.

And that was really a very important step and I really want to thank General Wesley Clark, which at that time was a general responsible for the crisis in Kosovo, because with his support and with the support of the United States, this very difficult task of the Balkans has been resolved in the most successful way.

I want to open here a parentheses, simply to say that the issue about Kosovo is not resolved yet, and I'm coming from Brussels. Yesterday, I presented the position of the center right parties in Bulgaria on the Kosovo issue and I appealed for more involvement of the European Union in the case of the future status of Kosovo, because the status of Kosovo is not any more a question between two

communities, is not any more simply an issue of the Balkans, but it's much more an issue for the European stability as a whole and for the European perspectives of the western Balkans, and I do believe that there will not be a long-lasting peace and stability in Europe as a whole, if we are not able to unite our efforts, and when I say to unite the efforts, the efforts of the international community, United States, European Union and the region itself, which should not be excluded by the debate about the future status of Kosovo.

I'm giving this example simply to explain that despite the fact that we usually think that Europe or the Balkans are more or less democratized and they are on the right track and they are developing successfully, there's still a lot of hot spots on the map and we have to be very careful and we have to tackle them in the most right way, because sometimes from something on first reading very simple, could appear a big problem, as with the case I have mentioned.

The other case, which was very difficult during our government, was the case with economic dependence on Russia. Because you know the case with Russian gas right now. We did have the same problem with Bulgaria, because Bulgaria was very much dependent on the Russian economy and the Russian oil and gas delivery.

And at the time when Bulgaria has to make the choice about whether to go to the east or to the west, Bulgaria was known as one of the closest satellites of Russia, of Soviet Union in the past. We wanted to change our orientation and to join NATO and European Union and the very high price to pay was that we've been threatened that we will be cut off from the Russian gas and the Bulgarian economy will blow up.

We were able to make it, we were very proud, and we were able to prevent Russians to take these measures against Bulgaria.

And the third point was the question about Macedonia and events which were taking place in Macedonia.

This was four years of an everyday struggle for democracy, and every day a struggle for explaining to people for what is this all about.

Because they were used to be followers and not managers, even of their own lives. Bulgarians, maybe some of the Eastern Europeans as well, were used to be liberated by somebody. We have been liberated by the Turkish shah [?], we have been liberated by, as they said, the Nazi. We have been liberated by ourselves, I would say.

And that is why maybe was so popular in Bulgaria, the legend about the former king, because I wonder at that time, when the king won elections in Bulgaria, why Bulgarians have chosen him and not the very successful government of Bulgaria to which I did belong.

And the answer was very simple, because we said to them, you have to make your choice. You have to choose the way you are going to live. To make a choice means to take responsibility and they were not used to take responsibility.

That is so important, not simply as you said not only to make elections, not only to win elections, but to change the mentality of people, and this doesn't happen overnight.

And I strongly believe that we have to work with the young people of Bulgaria. They have to be involved in the process of democratization and they will stay in my country, simply if they find a chance to change their life, if they find that the community, the society we are building up is very similar to the society of which they would like to go, because a lot of young people now are leaving Bulgaria, they are going to the European states, they are coming to the United States as well, and when I'm traveling, in my constituents, and I am provoked by somebody in the audience, and I usually say look at where your children are going, they are not going to North Korea, they're not going to Cuba. They're not going to Libya.

They're going to the States, they're going to the European member states. They show what kind of a society they would like to live in, and it's so

simple simply to follow our kids, our children, and to see what we have to build up in our states.

But I would like to make the last point on a challenge we are facing right now of extending the area of freedom, transparency, accountability, responsibility, human rights and human dignity.

We do have a lot of problems in reforming the Bulgarian constitution. The main law of the country has been written by the former communists and it has been built in a way that it makes impossible for the state to maneuver and to work in a democratic way.

To change the constitution, we need very big majority and it's very difficult to reach such a majority within the parliament, with the former communist party in order to change the constitution in a way to make the state live normally.

And this creates a feeling of unjustness, because if I can judge what is the feeling for the current Bulgarian citizens, which is the strongest one, it's not the feeling that they have shortages

or lack of money or lack of opportunities. It's the lack of justice.

And this is one of the reasons I'm nostoogey [?] about the strong hand appear in countries like ours. I'm nostoogey about the strong hand appear always, when there is a lack of law. Because that proves that the people, the citizens do not believe in state, and if they do not believe in state, they start to dream about the strong hand. They start to dream about king. They start to dream about dictatorship.

And that's why we have to be alert and to be very, how to say, to be very strict in analysis we are making because communism maybe is dead a ideology but is not dead as a mentality. The mentality of [inaudible] the mentality of people who are taking advantages of still not enough developed democracy in order to use it for their own purposes.

And I think that we need to work very hard in Europe, in the Balkans, in the world as a whole, and to make involved the new generation in the new developments which are taking place all over.

None of us was expecting that, at the time when the new countries or emerging democracies were joining NATO and European Union, the European Union will suffer a crisis itself. That the events of 11th of September will take place in the United States. That the struggle against terrorism will be so tough. Everything is changing and that's why the democratic community has to be very much united, because the gray, the shadow world is much more organized, maybe because they have less bureaucracy, maybe because they resolve their problems in a different way, and we have to oppose to them the democratic world, the democrats al over the world and to unite the efforts and to challenge them, because otherwise we will not have a better world to leave to our children. Thank you very much.

[Applause.]

MS. WINDSOR: Thank you so much. We have an opportunity for those of you who are doing the business of democracy to ask your questions of Mr. Natsios and the panelists. Yes? And please introduce yourself.

MR. : John [inaudible] [off-mike]. I have a question for Andrew.

MS. WINDSOR: Microphone.

MR. : Sir, could you proceed to the microphone. We're recording this, ladies and gentlemen, so if you could line up at the microphones on both sides to ask your questions. We'll go one two, one two. Thank you.

MR. BLAKTON [ph]: John Blakton from Creative Associates, and I have a question for Andrew. Andrew, as you know, I spent my career in AID when our old core businesses were much easier, dictator maintenance and autocratic regime maintenance, and we did quite well but it wasn't as challenging as the lines of business that you've opened up in the last five years.

And I want to ask you about one of the emerging challenges that comes out of AID's success in democracy promotion, which is that as you have built institutional space for democratic practice around the world, you've opened that space to new voices that aren't necessarily democratic. Some of

the loudest voices in the world aren't the voices of Montesquieu and Locke.

They're the voices of theocrats who want to marginalize the secularists. They're the voices of sectarian majorities that want to marginalize sectarian minorities. How do you see AID and the other practitioners, over the coming decade, while you're going to be at Georgetown, how do you see them engaging that part of the process, engaging the content of what goes on in the contending voices in the democratic space that you've opened up?

MR. NATSIOS: Thank you, John.

I gave a long speech, which we worked--it's actually a lecture on Islam and democracy, and we worked on it very carefully and very long because there is a debate going on, not just within the administration but within the scholarly community and the democracy movement generally.

I think, actually, something which we began to introduce into AID, into the discussion, people are very nervous about it, secular people who do not come from a faith tradition are very nervous about

these discussions. We are, in the United States, even more so in Europe, a little island of secularism in a world of faith.

I don't mean Christian faith. It could be Buddhism, it could be neo Confucianism in China, or Korea. It could be Islam. And there is a direct relationship between religions values and religious tradition and development, or the lack of development. There is a relationship, and there's been a lot of literature written in the West on this.

I mean, there is an argument, I'm not sure I agree with it, you know, the Catholics get upset. Well, now I'm going to a Catholic university but no, I'm not Catholic. I have to be a little careful about this, the Jesuits would have a view of this. That the Protestant revolution or the Protestant Reformation in Europe led to the Industrial Revolution.

I mean, there's a large scholarly community that would still view that as a strong argument.

There's people who argue that Catholicism actually laid the basis for the revolution.

But we don't like to talk about these things because many people in the development community come from a secular background, they're nervous about it, and I have to say we've got to get over that, because we're not relating to people very well in Latin America and Africa and Asia, if we refuse to understand that they come out of some faith tradition, and that faith tradition--I'm an Orthodox Christian.

I mean, that is my first definition. It is not being an American, it is not being Republican or Greek-American. It is being an Orthodox Christian and if there's a conflict between my faith and my country, I am a Christian first. I'm now leaving office. I can say that. Okay?

And some people don't ever see there's a conflict between that.

I don't see how anybody can say that in any government cause all governments are human and they're fallen. So the fact of the matter is when

you start getting involved in democracy and governance, you have to deal with these issues.

Now I don't subscribe at all to the view that Islam is antithetical to democracy.

There are certain extreme elements in Islam that are, but they are in fact the minority. There's a large body of Islamic thought that goes back a thousand years, that actually is very tolerant and has a lot in common with democratic Western traditions.

In fact in some ways more than Christianity does. And I say that again as an Orthodox Christian. I think the government in Turkey is a good example of this. The most progressive on human rights and on the great issues of Turkey joining the European Union, on Cyprus, and on human rights within Turkey, are being--is an Islamist government and the leaders of that government have drawn a comparison between the Christian Democratic tradition of Western Europe which of course was based on Roman Catholicism.

Konrad Adenauer was a devote Catholic and his faith led to his opposition to Hitler and to the formation of this whole movement in Europe.

He compares the Islamist parties of Turkey to the Christian Democratic tradition of Europe, which is certainly in the mainstream of democratic practice.

So I think we need to engage them in discussion and have a debate. It's going to be difficult in some countries. Some people are nervous about it, John, but we need to have that discussion, and we need to understand that when you come out of a faith tradition that's very strong, simply ignoring it or not wanting to talk about it is really, I think, a dangerous thing to do because, ultimately, it could mean the failure of our work in this.

I do want to, since you didn't--I'm standing up here, I do want to make one comment about something that Professor McFaul said.

Actually, I agree with most of what he said. His little comment about Republican

administrations I will put aside, as clearly he's a Democrat or he wouldn't have made those comments.

MR. McFAUL: I'm worried about the Democrats [inaudible].

MR. NATSIOS: It's very interesting, isn't it? I'm going to use that statistic a lot at Georgetown in my lectures.

[Laughter.]

MR. NATSIOS: Get a copy of that poll. That's a great poll. And that is this.

A very senior officer in AID, one of our intellectuals--I don't want to embarrass him, I don't even know if he's here today--but he came up to me one day, and he used to be a D&G officer in South Africa during one of our great success stories, is the preparation of South Africa for the end of apartheid in the 1980's and early '90s.

And he said, you know, Andrew--and he's got a PhD, I think in economics from Harvard, he's an economist but he was a D&G officer.

And he said, you know, in economics, in agriculture, in health, we have in AID a really

developed body of doctrine. If you want to grow more food, we can tell you how to do it, with science and markets and technology and a bunch of other things.

If you want to go to a market economy, we can tell you how to grow your economy, and it will succeed. Wherever we've tried it, we do these things, they do work. But he said we really do not have--and he said it's most important that we have it but we don't have a really developed doctrine.

What I announced was a strategy, how we're going to spend our money. In fact it's only half a strategy cause the other half of the strategy is how you allocate your funds. It doesn't say that in our document because the State Department controls most of the D&G money. Only 10 percent is AID controlled, the rest is State Department controlled,and it is not done through any formulaic basis.

There's no allotment formula. It's based on how ESF [ph] stuff is given around, or funding is given around by the regional bureaus.

And that's a serious weakness, and we couldn't complete this document, to call it a full strategy, because we haven't dealt with that issue.

In health, we do it. In the avian flu, we have a very developed five--there are five categories of countries based on the threat of avian flu spread. It's a model that's scientifically based. We allocate our funding based on that model.

We do not do that in democracy and governance. We need to. But we also don't have an established body of doctrine. If a country says we want to move to a democracy, we have no tradition of this at all, and the great bulk of people of people want to do it, tell us how to do it.

Now we can spend money in these categories and we know, sort of in a mystical way, that some good things will probably happen if we do it. But we do not have the sophistication you're talking about. We are developing, however--it's unfair to say we have no specialization. We do have specialization in AID. We have rule of law people within the democracy office and in the missions, and

it's because of practice, not because there's a lot of scholarly literature they've studied.

A lot of this stuff is based on our own experience in the field, repeatedly. And you know in the foreign service system, you move every four years, and the way AID's informal system of spreading success and spreading our own pilot programs around is just having people move around through the foreign service system. That's the great strength of it.

But we don't have the body of doctrine that we need to have and it's going to take a while more to develop this.

These ideas are not new but they are new in the sense that this has never before been put together in a document the way it has like this now.

The last comment I would make is this. AID, everybody likes to get the money, an they like to talk about AID and all that. But the fact of the matter is our agency is grossly understaffed to do what it's been asked to do.

We lost a third of our career staff in the 1990's, net, a third. From 1990 to 2000, there was a dramatic decline, every year, in the number of people who worked for the agency, were career officers. Most of AID's now being run from foreign service contractors [?]. You know why? Because they can work using program money.

The operating expense budget is the biggest obstacle to the success of our programs because without a foreign service system that's powerful and robust and effective, we are not gonna be successful in any of these programs.

I have repeatedly asked for more money, got two more days here, okay, and it's unbelievable, the excuses, and I have to say, the NGOs and the contractors are part of the problem, cause they go up to the Hill privately.

Never say this publicly and say, you know, they don't really need any more money cause they'll supervise us.

We don't want to be supervised, we don't want technical people who know more than we do.

And they go up and tell them, Don't give them more staff. They do. I ask congressmen and senators why it is they cut our account, and they said because you're overstaffed. I said who told you that? You know who told them. Okay. Our partner organizations tell them that. Put the money in program cause we want the money. Okay.

The fact of the matter is our program officers are the program. When you put a medical doctor or a D&G officer with an advanced degree in the field, with ten years of experience, that is the program. We get help from our implementing partners and we need it. We can't function without them.

But the notion that we're all just a bunch of bureaucrats is ridiculous. Who do you think we recruited to these offices? All of the people in the foreign service have advanced degrees and most of them have very extensive experience in the work they do.

So if I have any plea now, and I'm going to say this repeatedly until people get sick of it is we must reconstitute the foreign service and AID,

particularly in democracy and governance, but in the other disciplines as well, or we're not going to spend our money effectively and strategically. Thank you.

[Applause.]

MS. WINDSOR: As you can see, Mr. Natsios is really beginning the transition process, I think. I just want to say an administrative note. If you have lost your glasses, they're very attractive--ah, there you go.

So anyway. Next question?

MS. KERADAGHI [ph]: Peri Keradaghi with Kurdish Human Rights Watch, an NGO, working both in United States and in Iraq.

Mr. Natsios, you mentioned a few very interesting things. One of them you mentioned, Churchill, one of my favorites, because he was pro self-determination, just like President Wilson, for the Kurds.

But you mentioned a few things and I'm interested in--we're implementing a department of state, women in democracy initiative in Iraq, and

we've been involved in the constitution writing and, you know--and obviously the constitution has a lot of loopholes concerning women and human rights.

And of course building civil society at the grassroots level. Talking to women NGOs over the past two months that I have spent in Iraq and just coming back last week, one of the things that most women NGO, women heads of NGOs are talking about are, well, you know, and being able, as a former Kurdish refugee, to vote in Iraqi elections is really a plus.

So I was really excited that I was there of the elections in December. The thing that keeps coming up in Iraq, in talking to women and NGOs and other grassroots democracy initiatives, and you mentioned that democracy is new in Iraq and that's very true, something that they don't really know how to go about it, and of course with the corruption that's going on in Iraq, we don't see a lot of the program people at USAID being able to be in touch with people at the grassroots and being able to experience, firsthand, what the needs are at the

grassroots and how to build democracy from bottoms up.

Dr. Mihaylova, I really enjoyed your comments because you said that people in Bulgaria don't have a tradition of knowing what democracy is and what you said really is parallel to the experience in Iraq.

I'd like to hear both comments, if possible. Thank you.

MR. NATSIOS: With respect to Iraq, there's a reason you haven't seen them and that's a real serious problem in Iraq, in Afghanistan, and it is because of the insecurity that we're facing.

I'm not out of office yet, so I'm going to be very careful, until Friday, how I put this.

Because of the bombing of the embassies in East Africa in the 1990's, a new set of very stringent security measures have been imposed by diplomatic security which has authority over AID as government officials working under the authority of the ambassador.

I believe worldwide, that those are serious impediments to our AID programs.

One of the reasons we've actually gone to a much greater degree of dependence on implementing partners is because you do not have the same restrictions that we do.

Diplomatic security cannot impose on you, as civil society organizations, the restrictions that they have on us, and that's, in my view, a problem, because our officers--I mean, in State Department there are certain things you do to become an officer in function.

You have to be able to write cables and do analysis and meet with people.

We have to go out to the field, or we can't function, and our people, they complain to me constantly, particularly in the countries of greatest insecurity, that the restrictions placed on them, for reasons that are entirely understandable, are standing in the way of our work.

So my own view is we need to review--this has not been cleared by the interagency process and

DS will be upset, I'm very sorry I'm saying it; okay. We need to review the security restrictions because they are seriously hampering the work of our program officers who are not able to do the work. And it's not that we don't trust our implementing partners from the West or from the United States.

It's we want to talk to the people themselves, the women's groups that are Kurdish or Sunni or Shiia, or just Iraqi, directly, not through an implementing partner.

In fact I think we have a lot more officers with fewer prime contractors or prime NGOs in more direct small grants, but we have to have a lot more officers to do that.

That's what we did in South Africa with great success. So that's a comment that's probably gone over the line but--

MS. MIHAYLOVA: Well, probably there are a lot of similarities elsewhere between countries which are emerging democracies and which are trying to change their societies, and that reminds me about

something I have forgotten to say and this is about the need of developing and reforming the education.

My children, I have two children, 22 and 18, they both study in Bulgaria, and one of them said once that--she asked me, Do you know, mommy, why they do not reform the system of education?

And I was wondering what answer she found to this question. And she said because it's easier to control people who are not well educated.

And this is something very--the reason I am saying this is not that typical noneducated people, I'm not speaking about illiterate people, but people who are not used to the new tendencies and new developments in education.

People who are not able to work with computer, with new telecommunications, and everything which the modern world bring to all of us.

This kind of a secondary uneducated people usually are--they could be easily controlled in this way and I think that we have to pay a lot of attention on helping the new democracies to reform

quickly their educational system because in this way we will prepare a new generation for the new challenges and as I said will make it, this new generation easily being involved in the processes which are taking place in the different countries.

The opposite model or what we are witnessing right now is a lot of people who have money or who have some advantages are sending their children abroad, which doesn't--well, it's not bad of course if they come back to the country but they usually will come back if they know that they have a chance to develop and to realize themselves.

And I would like to say that for me, because I used to work both with Democrats and Republicans in this country, both in my capacity as foreign minister and as a visiting fellow in the beginning, and I know how important as for me and for my generation to follow the experience of the United States and to follow this--well, they teach me how to struggle, how to fight, and it's very--it sounds very simple, but it's very important as a part of a mentality.

The people in new democracies have to learn how to fight because nothing is coming from somewhere. You have to fight about everything, every day in your life, because democracy is developing process, is not something which is constant, which you can achieve it in one day or in one month or in one year. You have to struggle for democracy every day. Thank you.

[Applause.]

MR. NATSIOS: Can I just ask a question. Has there ever been a women prime minister in Bulgaria before?

[Laughter.]

MS. WINDSOR: We are nearing the end of it so I want to collect very brief questions and then let the panelists make any final remarks.

MS. BRINKERHOFF: Jennifer Brinkerhoff from George Washington University. That was so powerful and it's such a lesson for all of us. So thank you very much.

My question is actually for Administrator Natsios and it's really been a pleasure to teach

international development while you've been the administrator. You've taught a lot about the importance of being strategic and also the challenges of balancing technical expertise and experience with political imperative, and think you've done quite a lot for all of us.

So I first wanted to just thank you for your hard work.

My question concerns something that you said in your opening comments which was that the most important thing that we have to show success are the things that you cannot see.

So since this is kind of a forward-looking exercise in a way, I'd like to ask you what that means in terms of the emphasis on managing for results and indicators run amuck and how do we get into this for the long haul when the things that are most important, the successes that are most important are those that you cannot see? Thank you.

MS. : [inaudible] with Freedom House. My question is for Dr. McFaul. In academia, there's a large debate between those that are

advocates of democratic peace and those that are critics.

Could it be that the majority of Democrats and the small minority of Republicans that don't see the tie between democracy and national security be following that critic body, and how can we as policy makers use the academic debate in promoting more effective democracy?

MR. WEBSTER: Hi. I'm Russ Webster with Development Alternatives. Like Jennifer before me, I first want to thank you, Mr. Natsios, for your supreme and very good leadership over the last five years.

I've seen you speak on many occasions, in fact I was sitting in the back of the room at the house of commons in November and I as amazed at the restraint you showed when speaking to your British colleagues and I'm looking forward to when the shackles are even more off, and your plain-spoken style and the stories that you share will be missed. So thank you very much.

I have a comment on Professor McFaul's presentation and a follow-up question for Andrew.

I believe that the promotion of democracy is, indeed, as you stated, a worthy goal to guide us into the future but I think that we know a bit more about the shorter term and immediate results that democratization can have.

If you look at the work of folks like Helprin and Segal and Weinstein, the empirical evidence is mounting that democratizing countries, poor democratizing countries outperform autocracies. I think we know a bit more about the immediate results and I don't think that we should be shy about promoting those.

So then my question is in terms of USAID, I'm very happy to see the new publications. Mr. Natsios, if you had the opportunity as you leave AID, to reorganize, reprioritize and rebudget the agency, would we see some changes and some shifts in funding, more going towards democracy to help build the foundations of development, whether they be democratic development or economic or social?

And what kind of realignment would we perhaps anticipate?

MR. MICHAEL: Jim Michael. I'm with DPK Consulting. I want to join others in expressing appreciation for the leadership that Andrew Natsios has shown for an integrated vision of development that includes very strongly democratic governance as an integral part of the development process, and not just division, but practical ways in which to organize to advance that vision.

I had a question for Ms. Mihaylova who said so many wise things today, and I was intrigued by her final point about the democratic world needs to be more united to meet the current challenges that it faces. I wanted to invite her to elaborate on that a little bit about how the democratic world might better unite to meet these challenges.

MS. WINDSOR: Thank you very much. Now, these are wonderful questions, we have very limited time. I will now ask to maybe go down through our panelists for any final comments or responses to any

of that, and then of course give Andrew the final word. Tom, do you want to say something?

MR. MELIA: I'm just reminded of something I read that I have in my syllabus which is an article by Mike McFaul. He concludes by saying we don't yet have a general theory of democratization. We haven't quite figured it all out yet. This conversation today reminds me that there's a lot of good thinking and a lot more to be done, and I hope that we can continue to meet from time to time and talk about these things and look for better and better things to read that will help inform our work so that we can useful in the world and actually impact the state of freedom in the world.

MS. WINDSOR: Mike?

MR. McFAUL: I'll just say the same thing and put it another way, which is there's a lot of agreement I heard from Mr. Natsios, Professor Natsios, we need to get used to that, about what we don't know. The debate about democracy and development we can come back to another day. I see Dr. Segal is in the back. It's a long, complex

relationship between democracy and development. There is lots of disconfirming and confirming evidence that I know Jennifer is not going to let me go into right now at 11:00, but there's a lot of correlative data, there's not a lot of testing out of the causal mechanisms, and so that I think is an intellectual challenge to all of us to understand that. I'd make the same argument about security and democracy.

Moreover, Mr. Natsios said it himself, we don't have a science, and that's my fault, not yours, about democratization. We most certainly are behind our friends in the disciplines of economics, and remember, that's the dismal science, so we're not even our science though we call ourselves political scientists. But at a minimum I guess my plea would be to not just say that's good enough, to not just say, well, we're just going to learn it on the job and then we're going to move around. You're not saying that, I know, but maybe just aspire to what the business schools do. Maybe a theory of democratization is too hard. I don't think it is,

but maybe it's too hard. But wouldn't it be nice if you arrive in a country and you're doing post-conflict management or post-conflict democracy that you had some cast studies to read about? Who can tell me what is the case study to read to understand what the democracy promotion business did to undermine Milosovic in Serbia? I think that's a great success story. I think it's a fabulous case that lots of people should study. But you can't find a case study, and most certainly, program officers going out into the field aren't read that.

Moreover, I think you need to help us to do those kind of case studies and I think as you move from practitioner to academic, this is really the central challenge because whoever mentioned it about democratic--that is a great instance of where social science theory has fed into the policy community, and now George W. Bush talks about it all the time. I think that's really good. But we have a lot more work to do in terms of understanding these relationships particularly when we're talking about

democratization which is different, of course, than democracy.

MS. WINDSOR: Mike, I just want to use my powers as the moderator to say that I think there is a part within USAID that is specifically dedicated to that and it's the Democracy and Governance Center that is now headed by Dr. Jerry Hyman and a number of people are here in the room. One of the things I'd like Andrew to comment on is that I feel that the Democracy and Governance Center has actually not been elevated in terms of its importance within the agency and in the interagency process, and that's been a problem because the lessons that have been learned have, frankly, not been applied in the most effective fashion.

MS. MIHAYLOVA: Thank you. It's a difficult question, but I'll try to explain my logic. I think that the events of the 11th of September were not simply an attack against the United States. They were an attack against the modern world, the civilized world, against the values and the principles and the rule of law. By

making such an analysis, I think that the democratic world could unite on principles, on values, on rule of law. I see in countries like mine how the dark side of the moon, the dark forces, are trying to create a mess, are trying to make people to believe that democracy is disorder, that democracy is a curse, that all the problems we are facing now are not simply because of what we inherit from the past, but because of democracy itself. That's why it's very important to give a response to all of this and to prove that democracy more than everything else means rule of law, means principles, means values, means solidarity between people. And I think that the 11th of September made possible a lot of new coalitions and a lot of new things happening in the international fora.

A lot of unpredictable things took place after the 11th of September and most of them were very positive. The democrats in the world find out that they cannot live secure no matter whether they live in the United States or in Kosovo or in Bulgaria if we are not able to establish the rule of

law all over the world. That's why I am trying to make my colleagues in the European People's Party to believe that, as I said, Kosovo is not simply a problem of Balkans, Kosovo is a problem of Europe. You can't close the doors of Kosovo towards Europe. There is no iron curtain. You can't prevent people to leave poor countries and to go to the wealthy countries in Europe, and now you remember the events in Paris, in Brussels, in Berlin, when they fire out cars on the streets? This is also a sign of a huge problem which might appear again and again if we are not able to find a broad strategy to tackle this problem.

I think because I am moving back towards what Mr. Natsios said about religion, I do believe, and I experienced myself as a Foreign Minister, that all the religions are teaching humanism, solidarity and values and principles and no matter whether they are Christians, Muslims, Jews or whatever, every religion, and I spoke about this with the Foreign Minister of Algeria which is none of the countries which could be proud by very democratic developments

up to now, but still he said, when I was a child, he was teaching in France, and he said, when I was a child we were living in one society, people who were serving different religions and we didn't fight with each other, and then a lot of other circumstances were involved in what did happen in Algeria later. That means that there are lot of unburned bridges between people all over the world and we have to find these bridges, and I think that meetings like this one today, activities like the NGOs, have a very big responsibility in finding a way to rebuild the bridges between different nations and between democrats all over the world. Thank you.

MS. WINDSOR: Andrew?

MR. NATSIOS: First, we actually have about 15 to 20 years of spending in democracy. We have never done a comprehensive analysis. AID has now asked the D&G office, Dr. Hyman, the National Academy of Science, to conduct a comprehensive review of all of our Democracy and Governance activities over the last 15 to 20 years and see what worked and what did not work. I didn't read the

actual specific tasking, but my memory is that they're not going to go so far as to actually develop a theory, but the research should tell us the following five things you think work that didn't, and the following five activities that you thought were marginal and actually were more important, and five things you didn't do or something you should have done. So we're really looking forward to it, but it's going to take a couple of years to get that done.

I was going to mention Joe Segal, but he's here, and I don't want to embarrass him. He and I served together at World Vision for 5 years, his work is among the best in my view, supporting the notion that economic growth and democracy are not unrelated to each other, in fact, they're directly related in a positive way.

The problem of Democracy and Governance at AID is not a structural problem. That's not the issue. The issue is the funding source. We don't control our own budget. The State Department controls it because 90 percent of the budget comes

from ESF, and that's a huge problem in my view because ESF tends to be shorter-term, not longer-term. And we don't control the allocation of it by country, and so in my view it's frequently misapplied based on the way in which the State Department spends their money.

There's a reason why the earmarking is so destructive in AID. We've had more earmarking in the last 10 years than we've had ever. It's tied the entire agency up in knots. We have a term that the budgeteers and the program officers use in AID called hydraulics. If you move $10 million more which is what--the interest groups, people in this room, they run to the Hill and say we want more money for our earmark for this program in this country or this sector. Because the budget doesn't grow by huge amounts, they always earmark more money than the increase, and so the amount of discretionary money has been decreasing each year steadily. So now what happens is we have to take the little money we put in D&G because there is no Democracy and Governance earmark or fund or account

that we can rely on particularly that's under the control of AID, and so all of the stuff gets squeezed that there's no earmark for.

Guess what they are? In Africa, the three most important things, and any African head of state will tell you, is economic growth based on agriculture. There's no agriculture earmark. Democracy and Governance because they all tell you we need help, not just in elections, we need a civil service training school to train civil servants. They ask for this stuff and I say I just can't do it because we can't get the money to do it. There's no Democracy and Governance, and there's no infrastructure earmark. We don't do infrastructure anymore. The banks do it. The banks stopped doing it. And if you ask them, they want roads in the rural areas so people aren't so isolated. Roads, agriculture and D&G have no earmarks, and guess what happens to those accounts? They are the first ones that get cut when the other earmarks are increased. So we have a profound dysfunction in our budgeting

system and if it's not fixed, this strategy is going to be constrained in terms of its effectiveness.

The last point is measuring for results. I haven't made these comments before, but I'm going to make them now. The State Department wants us to do a series of things. They are really not focused on results, indicators and quantitative measurements and allocations. That is not what the State Department is interested in. DOD has all these indicators, I have to tell you. I don't to tell you which countries. You can guess. They're all the wrong indicators. They tell us to do all these things and I say they are the stupidest indicators you can possibly imagine. Who made these things up? It's not that they're malicious, they just don't understand the development process.

The fact of the matter--are the TV cameras still on? My heavens, I'm going to be in trouble.

[Laughter.]

MR. NATSIOS: There they are. The fact of the matter is that the focus exclusively by OMB, the GAO and the IG, and they're the ones who want this

quantitative measurement stuff, and I support it up to a point. But you know the effect? The effect has been to focus our attention in shorter-term interventions that can be quantified. Do you know one of the most powerful things AID has done for 40 years that we're not doing anymore? Because of this insistence on immediate quantitative--

[END OF TAPED RECORDING.]

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